

Continuing Disclosure, Part 1: Ongoing Communication With the Market



February 7, 2018

Lakshmi Kommi, *City of San Diego*
Debt Management Director

Dave Davies, *Willdan Financial Services*
Senior Project Manager



City of San Diego Debt Portfolio

- **Debt Administered \$3.3 billion**
 - General Fund/LRBs - \$571 million
 - Public Utilities Water & Sewer - \$1.6 billion
 - Special Districts (CFDs/ADs)- \$104 million
 - RDA - \$420 million
 - Tobacco Settlement Bonds - \$65 million
 - Water Commercial Paper Notes - \$250 million
 - **Direct Loans - \$322 million**
- **City manages ~31 Continuing Disclosure Certificates**
 - ~14* Annual Reports filed on EMMA past year
 - ~14* Material Events filed on EMMA past year

* Some filings cover multiple issuances

Underlying Issuer Ratings	
Fitch	AA
Moody's	Aa2
S&P	AA

Why is Continuing Disclosure Necessary?

- **SEC Rule 15c2-12**
 - Requires Underwriters to undertake a written agreement or contract with Issuers to provide ongoing disclosure - Continuing Disclosure Agreement (CDA)
- **...Other Various Federal Securities laws**
 - Talk to Victor Hsu from Session One
- **Market Efficiency**
 - Investors (both buyers and sellers) should have access to the necessary information so they can make an informed investment decision

Exemptions from Rule 15c2-12

- Issuers with less \$10 million in securities outstanding and has agreed to file publicly available financial information and event notices
- Continuing disclosure generally is not required if:
 - Private Placements and Bank Loans
 - Issuance is for less than \$1 million
 - Bonds are sold in denominations of not less than \$100,000 and are sold to no more than 35 sophisticated investors
 - Bonds are sold in \$100,000 minimum denominations and maturity in nine (9) months or less
 - Bonds were issued prior to July 1995 (or prior to December 2010 for certain “puttable” securities)
- If Bonds have a maturity of 18 months or less, Annual Reports not required (only Event Notice Filings)

What is a Continuing Disclosure Agreement?

- **Issuer's legal commitment to provide continuing disclosure**
 - Annual Financial Information (aka Annual Reports)
 - Event Notices (as defined by SEC Rule 15c2-12)
- **Key Components of CDAs**
 - Required content of Annual Reports
 - Reporting of Material Events
 - Timeframes for submission to MSRB's Electronic Municipal Market System (EMMA®)
- **Link between CDA and Official Statement**
 - At issuance, work with Bond Counsel/Underwriters/MA to determine appropriate content within CDA
 - Ensure full understanding of obligations of CDA

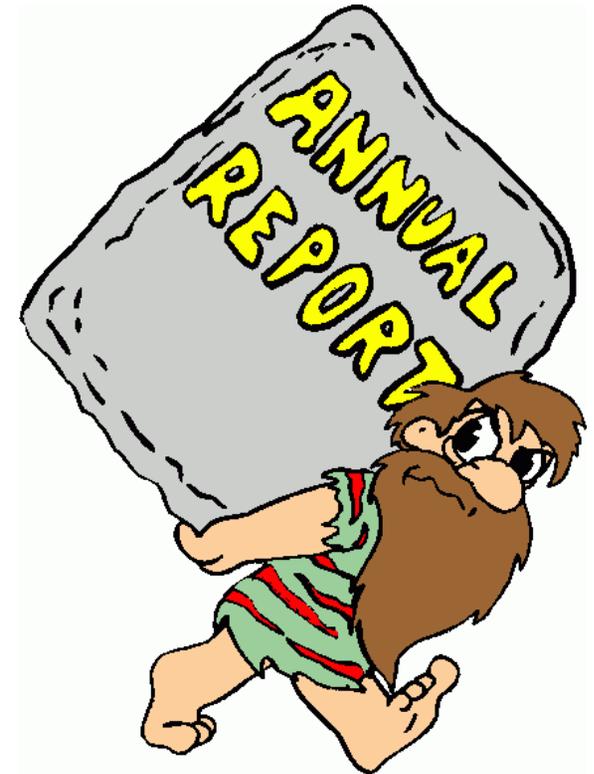
(See Sample City of San Diego CDA beginning on slide 29)

Dissemination Agent vs. Disclosure Consultant

- **Dissemination Agent**
 - Posts Annual Reports, Event Notices, and other disclosure filings on EMMA
 - Generally does not assist in preparation of disclosure filings
- **Disclosure Consultant**
 - Reviews relevant CDA(s) prior to bond sale
 - Assists in the preparation of disclosure filings AND posts to EMMA
 - Ongoing monitoring for certain events (i.e., rating changes)
- ***Ultimate responsibility for CDA compliance is always with the issuer!***

Annual Financial Information (aka Annual Reports)

- **Audited Financial Statements**
 - File unaudited financial statements if audit not completed in time; file audit as soon as ready
 - If neither is filed prior to the due date, must file separate Failure to File Notice on or before the deadline specified in the CDA
- **Prior year financial information/ operating data specified in CDA**
 - Updates key data in Official Statement
- **Filing required annually by a fixed date (or specific # of days after FYE) as specified in CDA**



California Specific Reporting

- Different from Rule 15c2-12 Requirements

- For example:

- Annual Transparency Reporting - *CA Gov. Code § 8855(k)*
- Report of Proposed Debt Issuance - *CA Gov. Code § 8855(i)*
- Report of Final Sale - *CA Gov. Code § 8855(j)*

Mello-Roos/Marks-Roos Reporting:

- CFD Parcel Tax Reports - *CA Gov. Code § 12463.2*
- Local Agency Special Tax and Bond Accountability Act Reports - *CA Gov. Code § 50075.3*
- Mello-Roos Reports - *CA Gov. Code § 53359.5(b),(c), and (d)*
- Marks-Roos Reports - *CA Gov. Code § 6599.1(b)*

Event Notices

- SEC adopted amendments to material event reporting requirements in 2010
 - Applies to bonds issued after December 1, 2010
- Event notices now must be filed within 10 business days of the occurrence of the event
 - Previous requirement for bonds issued prior to December 1, 2010 was “within a timely manner”
- Requires disclosure of certain events regardless of materiality
- Additional events added

Event Notices

List of Events		Date of Issuance	
		Pre- Dec 1, 2010	Post- Dec 1, 2010
Regardless of Materiality	Principal and interest payment delinquencies	✓	✓
	Unscheduled draws on debt service reserves	✓	✓
	Unscheduled draws on credit enhancements	✓	✓
	Substitution of credit of liquidity providers, or their failure to perform	✓	✓
	Adverse tax opinions or events affecting tax-exempt status	✓	✓
	Defeasances	✓	✓
	Rating Changes	✓	✓
	Tender offers		✓
	Bankruptcy, insolvency, or receivership		✓
If Material	Bond calls	✓	✓
	Non-payment related defaults	✓	✓
	Modifications to rights of security holders	✓	✓
	Release, substitution or sale of property securing repayment	✓	✓
	Merger, acquisition or sale of all issuer assets		✓
	Appointment of successor trustee		✓

Event Notices

Challenges:

- ***Awareness of Events and timing***

More challenging than annual reports, which occur on an established annual schedule

- ***10 business-day event filing requirement for bond offerings post- Dec. 1, 2010***

- ***Determining materiality***

Would a reasonable investor consider the information important when making investment decision?

Event Notices

Helpful Tips:

- ***Necessary to have a system in place to timely identify and report on any of the listed events***
 - Communicate with impacted officials/departments at bond closing
 - Assign responsibility
 - Assign monitors where helpful – e.g., ratings changes
 - Conduct semi-annual or annual internal reviews
 - Mandatory disclosure training for new debt management staff
 - Timely discussion of questions and issues that may arise with outside disclosure counsel
- ***Where possible, calendar***
 - For example, Financing Schedules should include any defeasance and bond call material event filings
 - Sign up for MSRB email reminders – can include multiple email addresses for staff and agents

Voluntary Disclosures

- **Issuers may determine the need to disclose information beyond the requirements listed in CDAs**
 - Annual budgets, periodic financial summaries, investment information, economic/revenue forecasts, etc.
 - Information about other non-public debt/bank loan agreements
 - Rating agencies now expect these to be disclosed publicly
 - Legal and regulatory updates
 - Litigation/enforcement action
 - Consultant Reports
 - Preliminary Official Statements
- **Consult with internal counsel and/or outside disclosure counsel**

Process for Accurate & Timely Disclosures

- Establish written policies and procedures
 - Identify key personnel and their responsibilities
 - Primary Coordinator(s) - may consist of different coordinators for different issuances/credits
 - Monitors compliance
 - Compiles/prepares information
 - Communicates with relevant parties
 - Disclosure Team
 - Reviews primary *and* ongoing secondary disclosures
 - Broad scope of knowledge base can identify gaps
 - Outside disclosure counsel is optional but can help determine materiality

Process for Accurate & Timely Disclosures

- **Establish written policies and procedures, cont'd**
 - **Disclosure Filings Checklist and Database**
 - Check-list of key steps to prepare, review, and file a continuing disclosure document
 - Record continuing disclosure filings in a master database
 - Type of disclosure, date filed, link to EMMA filing
 - Important source for preparing continuing disclosure compliance section of Official Statements
 - **EMMA Filing Procedures**
 - Step-by-step instructions for filing annual reports and event notices on EMMA ®
 - Ensures proper classification of filings on EMMA system
 - Emphasizes proper association of issues or CUSIPS to the disclosure

Process for Accurate & Timely Disclosures

- **Tools**

- Create a schedule/matrix to organize annual compliance and event notices and reporting timeframes
- Establish internal notification system for reporting/compliance items
- Review the National Association of Bond Lawyers document [*“Crafting Disclosure Procedures”*](#)

Process for Accurate & Timely Disclosures

- **Comprehensive Disclosure Training**

- Mandated training for financial and operating staff involved in review and preparation of disclosure documents
- CFO communication to operating departments asking directors to identify appropriate staff and make training mandatory
- Record training and establish link for future agency-wide access
- Incorporate any developing training
- Stick to regular schedule



Considerations

- Are you presenting concise, coherent, information or are you investors to *figure it out*?
- Is the report format consistent year over year?
- Is data available in sufficient time to meet the filing due date?
- Who handles investor calls? Listening to their concerns?
- Which entity's audited financial statements are required?
- Final noticing (Redemption, Defeasance, Termination)
- Double-checking reviews of prior compliance



How Do you Know It's Working?

- Knowledgeable staff with clear understanding of disclosure roles and responsibilities
- Contributing parties engage – ask thoughtful questions, raise topics for discussion
- Staff required to participate in disclosure training are attending (document attendance)
- Snapshot of compliance status and all readily available
- Potential issues and problems identified and actively managed



Benefits vs. Consequences

- **Benefits:**
 - Enhancing credibility with investors, Rating Agencies and public
 - Possibly lowering borrowing costs
 - Sleep better at night
- **Consequences:**
 - Must disclose any material non-compliance in Official Statements for the next five years
 - Securities fraud under Rule 10b-5



Please don't DOT in all whites

624 X 441

TFM 29 99 OICC

EMMA

- Dissemination of disclosures required via MSRB’s Electronic Municipal Market Access (EMMA) website as of July 1, 2009
- Prior to that they were sent via “Nationally Recognized Municipal Securities Information Repositories” or NRMSIRs

The screenshot shows the EMMA website interface. At the top right, there are links for 'MyEMMA', 'EMMA Dataport', and 'Contact Us'. Below these is a 'Quick Search' box with the placeholder text 'Enter CUSIP or Name'. The main navigation bar includes 'ADVANCED SEARCH', 'BROWSE ISSUERS', 'TOOLS AND RESOURCES', 'MARKET ACTIVITY', and 'EMMA HELP'. The central content area is titled 'Search for Municipal Bonds' and offers three search methods: 'Quick Search' (by CUSIP or name), 'Advanced Search' (by characteristics like rating and maturity), and 'Price Discovery' (to compare trade prices). Below this is the 'MSRB Education Center' with resources for investors and a section for 'Investor Resources' including a video, a price discovery tool, and EMMA updates. On the right side, a table titled 'MOST ACTIVELY TRADED MUNICIPAL SECURITIES' for 1/22/2018 is displayed.

Security Description	Coupon (%)	Maturity Date	High/Low Price (%)	High/Low Yield (%)	Trade Count	Total Trade Amount (\$)
MUNICIPAL AUTHORITY OF WESTMORELAND COUNTY, PENNSYLVANIA / MUNICIPAL SERVICE REVENUE REFUNDING BONDS SERIES OF 2017	3.125	08/15/2033	100.598 / 98.5	3.248 / 3.052	60	2,335,000
NEW JERSEY TURNPIKE AUTHORITY / TURNPIKE REVENUE BONDS, SERIES 2017 G	3.25	01/01/2038	100.0 / 97.19	3.445 / 3.249	52	4,470,000
UNIVERSITY OF KENTUCKY / GENERAL RECEIPT BONDS, 2018 SERIES A	3.5	10/01/2047	100.514 / 98.452	3.585 / 3.426	46	1,780,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY / UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM HEALTH SYSTEM REVENUE BONDS SERIES A OF 2017	3.125	08/15/2032	100.75 / 98.525	3.252 / 3.033	43	1,895,000

How can we Optimize EMMA?

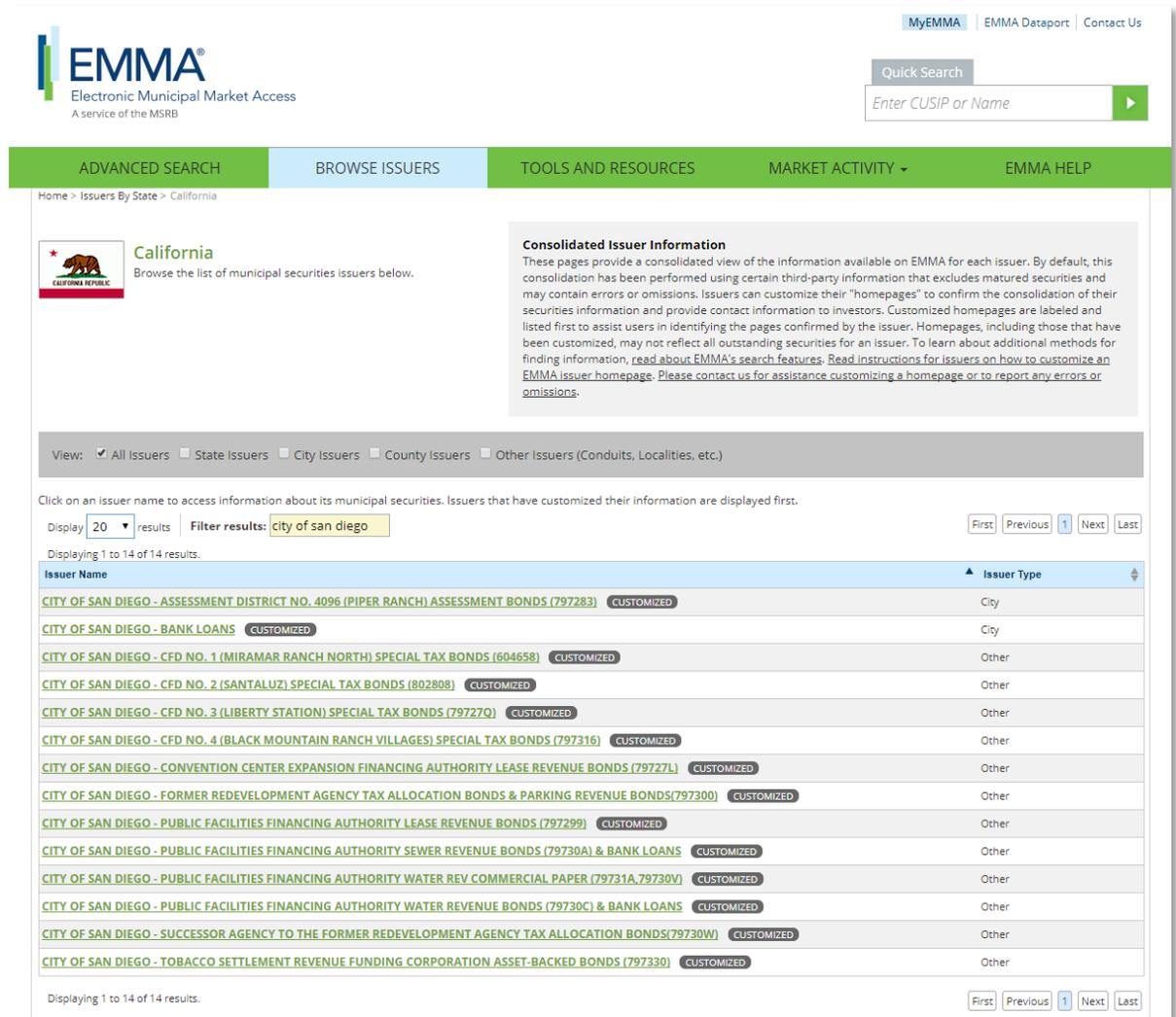
- Utilize Customized Issuer Homepages on EMMA®
 - Organize outstanding issuances under different Issuer Homepages
 - Compile primary and secondary disclosures; reports trade activity
 - Link to Issuer website(s) for any disclosure information not available on EMMA
- EMMA is based on submitter inputs - strive for accurate and consistent descriptions of disclosure documents
- Utilize EMMA Dataport portal
 - Create an Organization Account
 - Set up a single continuing disclosure submission account for all agents and staff of all issuers.
 - Schedule Financial Disclosure Email Reminders for recurring disclosures
- ***Double check before clicking Submit!***
 - Once a document is posted on EMMA®, it cannot be removed



New Technologies – Investor Communication

- EMMA Issuer Homepages

*City of San Diego's
EMMA Issuer Pages*



MyEMMA | EMMA Dataport | Contact Us

Quick Search
Enter CUSIP or Name

ADVANCED SEARCH | BROWSE ISSUERS | TOOLS AND RESOURCES | MARKET ACTIVITY | EMMA HELP

Home > Issuers By State > California

California
Browse the list of municipal securities issuers below.

Consolidated Issuer Information
These pages provide a consolidated view of the information available on EMMA for each issuer. By default, this consolidation has been performed using certain third-party information that excludes matured securities and may contain errors or omissions. Issuers can customize their "homepages" to confirm the consolidation of their securities information and provide contact information to investors. Customized homepages are labeled and listed first to assist users in identifying the pages confirmed by the issuer. Homepages, including those that have been customized, may not reflect all outstanding securities for an issuer. To learn about additional methods for finding information, [read about EMMA's search features](#). [Read instructions for issuers on how to customize an EMMA issuer homepage](#). Please contact us for assistance customizing a homepage or to report any errors or omissions.

View: All Issuers State Issuers City Issuers County Issuers Other Issuers (Conduits, Localities, etc.)

Click on an issuer name to access information about its municipal securities. Issuers that have customized their information are displayed first.

Display 20 results | Filter results: city of san diego

Displaying 1 to 14 of 14 results.

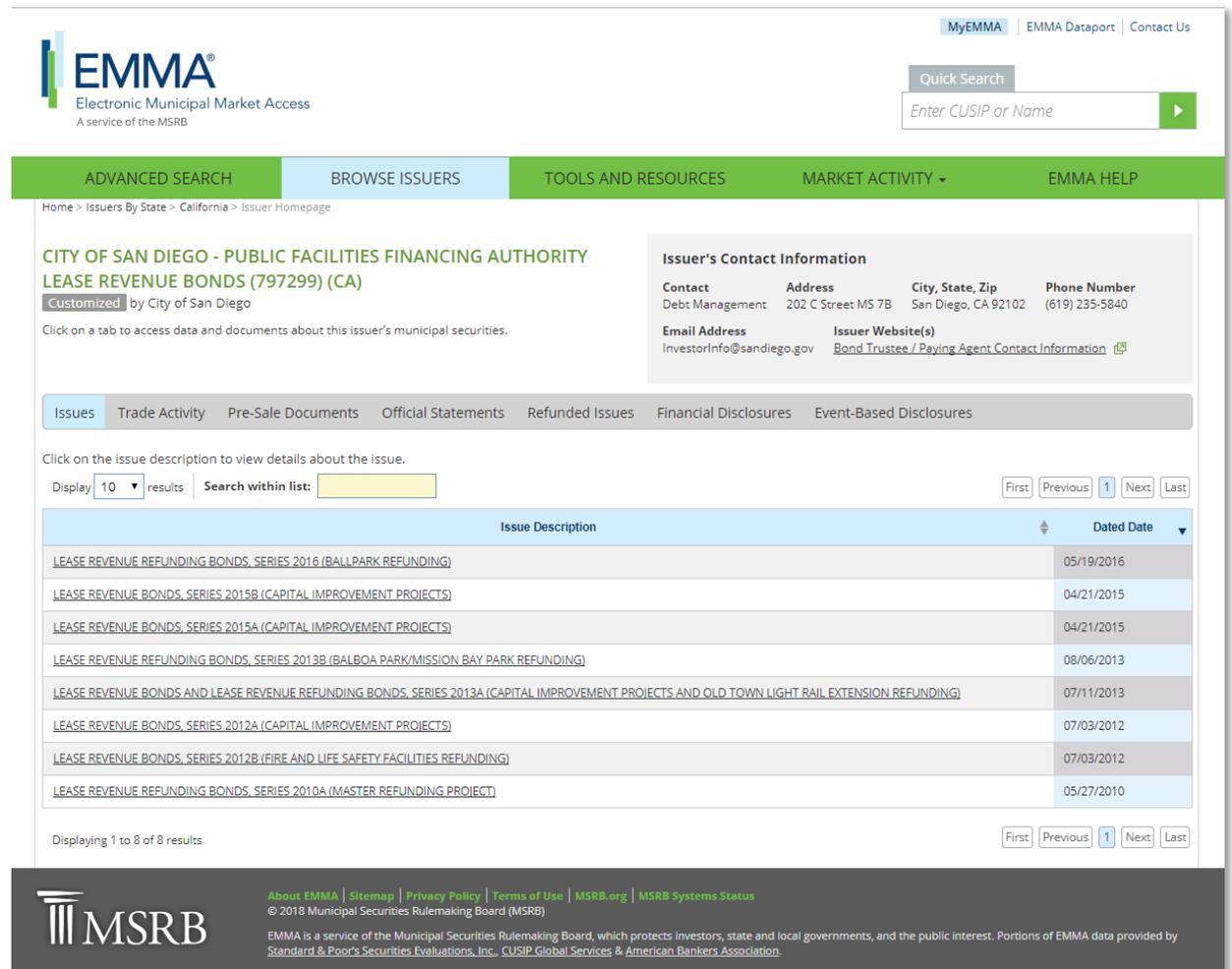
Issuer Name	Issuer Type
CITY OF SAN DIEGO - ASSESSMENT DISTRICT NO. 4096 (PIPER RANCH) ASSESSMENT BONDS (797283) CUSTOMIZED	City
CITY OF SAN DIEGO - BANK LOANS CUSTOMIZED	City
CITY OF SAN DIEGO - CFD NO. 1 (MIRAMAR RANCH NORTH) SPECIAL TAX BONDS (604658) CUSTOMIZED	Other
CITY OF SAN DIEGO - CFD NO. 2 (SANTALUZ) SPECIAL TAX BONDS (802808) CUSTOMIZED	Other
CITY OF SAN DIEGO - CFD NO. 3 (LIBERTY STATION) SPECIAL TAX BONDS (797270) CUSTOMIZED	Other
CITY OF SAN DIEGO - CFD NO. 4 (BLACK MOUNTAIN RANCH VILLAGES) SPECIAL TAX BONDS (797316) CUSTOMIZED	Other
CITY OF SAN DIEGO - CONVENTION CENTER EXPANSION FINANCING AUTHORITY LEASE REVENUE BONDS (79727L) CUSTOMIZED	Other
CITY OF SAN DIEGO - FORMER REDEVELOPMENT AGENCY TAX ALLOCATION BONDS & PARKING REVENUE BONDS(797300) CUSTOMIZED	Other
CITY OF SAN DIEGO - PUBLIC FACILITIES FINANCING AUTHORITY LEASE REVENUE BONDS (797299) CUSTOMIZED	Other
CITY OF SAN DIEGO - PUBLIC FACILITIES FINANCING AUTHORITY SEWER REVENUE BONDS (79730A) & BANK LOANS CUSTOMIZED	Other
CITY OF SAN DIEGO - PUBLIC FACILITIES FINANCING AUTHORITY WATER REV COMMERCIAL PAPER (79731A,79730V) CUSTOMIZED	Other
CITY OF SAN DIEGO - PUBLIC FACILITIES FINANCING AUTHORITY WATER REVENUE BONDS (79730C) & BANK LOANS CUSTOMIZED	Other
CITY OF SAN DIEGO - SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY TAX ALLOCATION BONDS(79730W) CUSTOMIZED	Other
CITY OF SAN DIEGO - TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION ASSET-BACKED BONDS (797330) CUSTOMIZED	Other

Displaying 1 to 14 of 14 results.

New Technologies – Investor Communication

- EMMA Issuer Homepages

*City of San Diego's
EMMA Issuer Page
for Lease Revenue
Bonds*



MyEMMA | EMMA Dataport | Contact Us

Quick Search
Enter CUSIP or Name

ADVANCED SEARCH | BROWSE ISSUERS | TOOLS AND RESOURCES | MARKET ACTIVITY | EMMA HELP

Home > Issuers By State > California > Issuer Homepage

**CITY OF SAN DIEGO - PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS (797299) (CA)**
Customized by City of San Diego

Click on a tab to access data and documents about this issuer's municipal securities.

Issuer's Contact Information

Contact	Address	City, State, Zip	Phone Number
Debt Management	202 C Street MS 7B	San Diego, CA 92102	(619) 235-5840

Email Address
InvestorInfo@sandiego.gov

Issuer Website(s)
[Bond Trustee / Paying Agent Contact Information](#)

Issues | Trade Activity | Pre-Sale Documents | Official Statements | Refunded Issues | Financial Disclosures | Event-Based Disclosures

Click on the issue description to view details about the issue.

Display 10 results | Search within list:

Issue Description	Dated Date
LEASE REVENUE REFUNDING BONDS, SERIES 2016 (BALLPARK REFUNDING)	05/19/2016
LEASE REVENUE BONDS, SERIES 2015B (CAPITAL IMPROVEMENT PROJECTS)	04/21/2015
LEASE REVENUE BONDS, SERIES 2015A (CAPITAL IMPROVEMENT PROJECTS)	04/21/2015
LEASE REVENUE REFUNDING BONDS, SERIES 2013B (BALBOA PARK/MISSION BAY PARK REFUNDING)	08/06/2013
LEASE REVENUE BONDS AND LEASE REVENUE REFUNDING BONDS, SERIES 2013A (CAPITAL IMPROVEMENT PROJECTS AND OLD TOWN LIGHT RAIL EXTENSION REFUNDING)	07/11/2013
LEASE REVENUE BONDS, SERIES 2012A (CAPITAL IMPROVEMENT PROJECTS)	07/03/2012
LEASE REVENUE BONDS, SERIES 2012B (FIRE AND LIFE SAFETY FACILITIES REFUNDING)	07/03/2012
LEASE REVENUE REFUNDING BONDS, SERIES 2010A (MASTER REFUNDING PROJECT)	05/27/2010

Displaying 1 to 8 of 8 results

MSRB

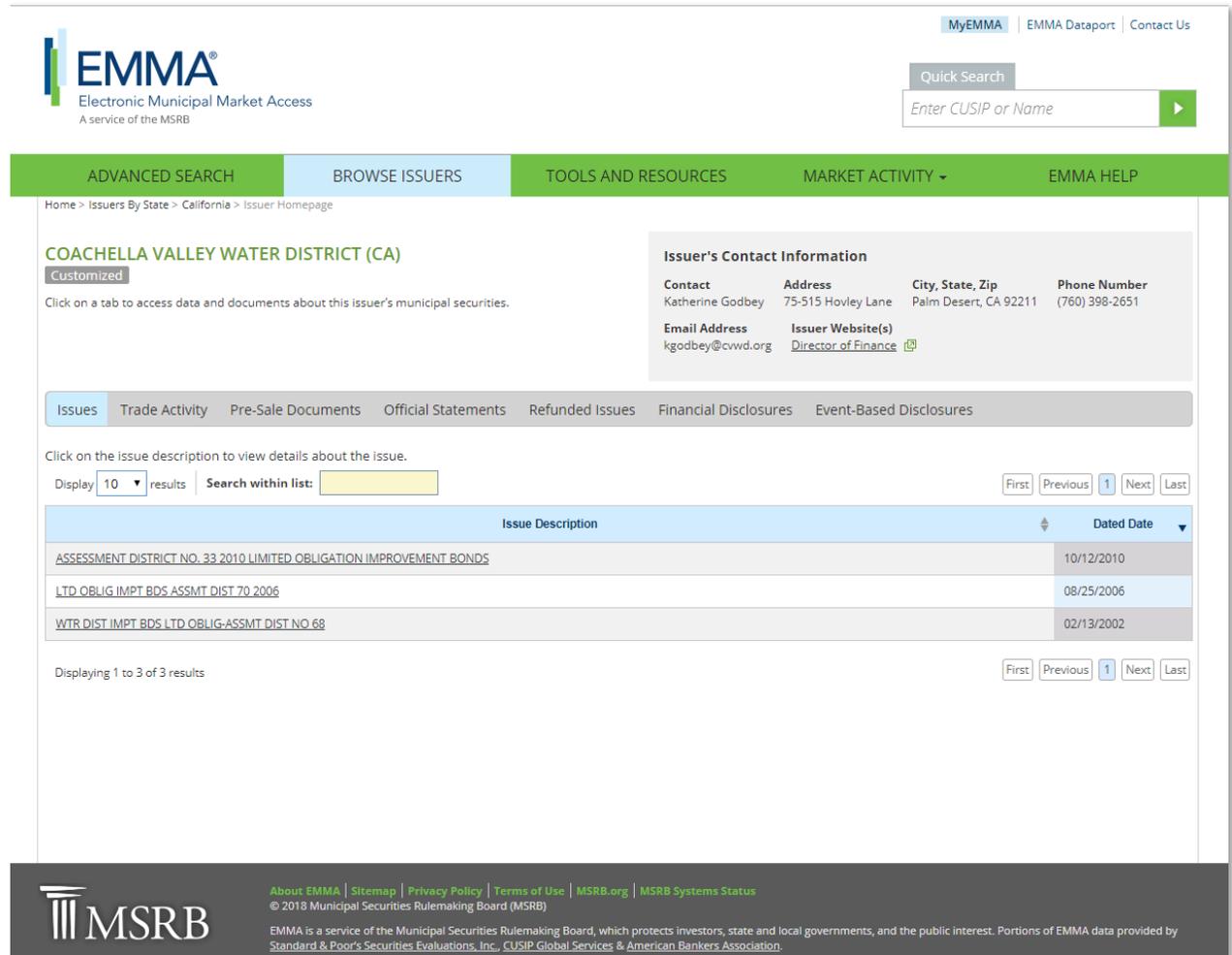
About EMMA | Sitemap | Privacy Policy | Terms of Use | MSRB.org | MSRB Systems Status
© 2018 Municipal Securities Rulemaking Board (MSRB)

EMMA is a service of the Municipal Securities Rulemaking Board, which protects investors, state and local governments, and the public interest. Portions of EMMA data provided by Standard & Poor's Securities Evaluations, Inc., CUSIP Global Services & American Bankers Association.

New Technologies – Investor Communication

- EMMA Issuer Homepages

*Coachella Valley
Water District
EMMA Issuer Page*



MyEMMA | EMMA Dataport | Contact Us

Quick Search
Enter CUSIP or Name

ADVANCED SEARCH | BROWSE ISSUERS | TOOLS AND RESOURCES | MARKET ACTIVITY | EMMA HELP

Home > Issuers By State > California > Issuer Homepage

COACHELLA VALLEY WATER DISTRICT (CA)
Customized

Click on a tab to access data and documents about this issuer's municipal securities.

Issuer's Contact Information

Contact	Address	City, State, Zip	Phone Number
Katherine Godbey	75-515 Hovley Lane	Palm Desert, CA 92211	(760) 398-2651

Email Address kgodbey@cvwd.org | **Issuer Website(s)** Director of Finance

Issues | Trade Activity | Pre-Sale Documents | Official Statements | Refunded Issues | Financial Disclosures | Event-Based Disclosures

Click on the issue description to view details about the issue.

Display 10 results | Search within list:

Issue Description	Dated Date
ASSESSMENT DISTRICT NO. 33 2010 LIMITED OBLIGATION IMPROVEMENT BONDS	10/12/2010
LTD OBLIG IMPRT BDS ASSMT DIST 70 2006	08/25/2006
WTR DIST IMPRT BDS LTD OBLIG-ASSMT DIST NO. 68	02/13/2002

Displaying 1 to 3 of 3 results

About EMMA | Sitemap | Privacy Policy | Terms of Use | MSRB.org | MSRB Systems Status
© 2018 Municipal Securities Rulemaking Board (MSRB)
EMMA is a service of the Municipal Securities Rulemaking Board, which protects investors, state and local governments, and the public interest. Portions of EMMA data provided by Standard & Poor's Securities Evaluations, Inc., CUSIP Global Services & American Bankers Association.



New Technologies – Investor Communication

- Self-managed investor websites
- 3rd party developed investor relations platforms
- Social media (*...be cautious!*)

MCDC

- **Municipal Continuing Disclosure Cooperation (MCDC) Initiative established by SEC in 2014**
- **Voluntary program for underwriters and issuers to self-report inaccurate statements concerning historical continuing disclosure compliance with the CDA**
- **Underwriters undertook a significant due diligence process to review all transactions they managed**
 - **Continuing Disclosure Compliance Review Reports**
 - **Utilized services from 3rd parties to run reports**
- **Issuers performed review with the advance knowledge of whether underwriter self-reported their transaction(s)**

Lessons Learned from MCDC

- **Make sure disclosure in Official Statements on compliance with CDAs is accurate**
 - Track continuing disclosure filings in a master database
 - If you failed to file, state that in OS
- **SEC charged 71 municipal issuers**
- **Common MCDC failures cited:**
 - Official Statements falsely stated that the issuer was in full compliance
 - Vast majority were late or missing filings
 - Failure to file notices of late filing
 - Failure to file defeasance notices
 - Filed in wrong location or without EMMA ® cross reference

Sample
City of San Diego
Continuing Disclosure Certificate*

***Different terminology but essentially the same as CDA**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of San Diego (the "City") as of _____ in connection with \$_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series _____ (the "Bonds"). The Bonds are being issued pursuant to the terms of the Indenture (as defined herein). The City hereby covenants and agrees as follows:

Purpose

1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Bondowners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the Bonds.

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Authority" means the Public Facilities Financing Authority of the City of San Diego.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means the City and any Person designated by the City to serve as Dissemination Agent.

"Indenture" means the Indenture, dated as of _____, by and between the Authority and the Trustee, as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

"MSRB" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"Notice Event" means any of the events listed in Section 5(a) and (b) of this Certificate.

"Participating Underwriters" means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Official Statement" means the Official Statement dated _____, prepared and distributed in connection with the initial sale of the Bonds.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Rule" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"Trustee" means Wells Fargo Bank, National Association, or any successor trust under the Indenture.

3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent (if other than the City) to, not later than April 10 each year (or the next succeeding business day, if that day is not a business day) (the "Filing Date") after the end of the City's fiscal year (which currently ends June 30th), commencing with the report for the fiscal year ending June 30, _____, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the Filing Date for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the Filing Date, the City shall, in a timely manner, send a notice to the MSRB in such electronic format as prescribed by the MSRB.

Filing Annual Reports



(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the **MSRB**.

4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) An update to the information generally in the form presented in Table A-3 (titled "City of San Diego General Fund Operating Budget Summary") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(ii) An update to the information generally in the form presented in Table A-4 (titled "Assessed Valuation") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iii) An update to the information generally in the form presented in Table A-5 (titled "Secured Tax Levies and Collections") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iv) An update of the information generally in the form presented in Table A-8 (titled "City of San Diego Schedule of Funding Progress") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(v) An update for the information generally in the form presented in Table A-9 (titled "City of San Diego Pension Contribution") of Appendix A to the Official Statement, for the most recently completed Fiscal Year.

(vi) An update to the information generally in the form presented in Table A-11 (titled "Schedule of Funding Progress (DB OPEB Plan)") of

Content of Annual Reports



Content of Annual Reports, cont.

Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vii) An update to the information generally in the form presented in Table A-15 (titled "City of San Diego General Fund Lease Payments") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(viii) An update to the information generally in the form presented in Table A-16 (titled "City of San Diego General Fund Supported Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

Material Events (regardless of Materiality)

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, **in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:**

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties¹;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties²;
- (iv) substitution of credit or liquidity providers, or their failure to perform²;

¹ Without limiting its reporting obligation, the City advises that it has not established a debt service reserve fund for the Bonds.

² Without limiting its reporting obligation, the City advises that it has not obtained or provided any credit enhancements or credit or liquidity providers for the Bonds.

Material
Events
(regardless of
Materiality),
cont.

(v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; and

(ix) bankruptcy, insolvency, receivership or similar event of the City (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City).

Material
Events
(if material),

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, **if material, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:**

(i) non-payment related defaults;

(ii) Unless described in Section 5(a)(v), other notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;

(iii) modifications to rights of the holders of the Bonds;

(iv) bond calls³;

(v) release, substitution or sale of property securing repayment of the Bonds;

³ Any scheduled redemption of Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Notice Event within the meaning of the Rule.

Material
Events
(if material),
cont.

(vi) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets thereof, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Notice Event under subsection (b) above would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the MSRB through EMMA. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(vii) and (b)(iv) above need not be given under this subsection (c) any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Notice Event under subsection 5(c).

Dissemination
Agent

7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate. The initial Dissemination Agent shall be the City.

8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the